

ED

~~CONFIDENTIAL~~
~~SECRET~~

COPY NO. 17
OCI NO. 0057/57
7 February 1957

CURRENT INTELLIGENCE WEEKLY SUMMARY



DOCUMENT NO. 8
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS 25X1
NEXT REVIEW DATE: 1989
AUTH: HR 70-2
DATE: 1 Aug 79 REVIEWER:

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

~~CONFIDENTIAL~~
~~SECRET~~



285141
25X1

State Department review completed

THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECTIONS 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

The Current Intelligence Weekly Summary has been prepared primarily for the internal use of the Central Intelligence Agency. It does not represent a complete coverage of all current situations. Comments and conclusions represent the immediate appraisal of the Office of Current Intelligence.

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

T H E W E E K I N B R I E F

PART I

OF IMMEDIATE INTEREST

USSR SLOWS RATE OF ECONOMIC GROWTH Page 1

At the opening session of the Supreme Soviet on 5 February, planning chief M. G. Pervukhin outlined a new economic approach involving reduction of plan goals for 1957 and "corrections" for 1960 targets. Planned growth of industrial production in 1957 has been cut to a 7.1-percent increase over 1956, the lowest growth rate for any peacetime year since 1928. A growth rate of 10.8 percent was achieved in 1956. On the basis of the incomplete data available, the prospects for success in achieving the current Five-Year Plan goal are by far the worst that have faced the Soviet Union since World War II. The Soviet leaders apparently have accepted at least temporary delay in the long-term race to "catch up with and surpass" the West. [redacted]

25X1

MIDDLE EAST DEVELOPMENTS Page 4

UN secretary general Hammarskjold feels that Egyptian pressure for further UN action to compel the Israelis to withdraw jeopardizes his attempts to obtain Israeli compliance with the UN resolution. The Suez Canal issue is coming to the fore rapidly because limited passage may be possible by mid-February and normal passage by early March. Nasr's stand on a canal settlement remains fundamentally unchanged, although he may co-operate on details. Britain and France continue to seek some device which would put at least some control of canal finances and shipping priorities in the hands of an international body. [redacted]

25X1

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

PART II

NOTES AND COMMENTS

RENEWED TERRORISM ON CYPRUS LIKELY TO
COINCIDE WITH UN DEBATE Page 1

EOKA terrorists have recently stepped up anti-British violence on Cyprus, and Turkish-Cypriots have twice attacked Greeks on the island in the past two weeks. Further outbreaks are likely to coincide with the opening of the UN debate on the issue, probably early next week. Athens expects new anti-Greek disturbances in Istanbul and is in a mood to retaliate.

[Redacted]

ALGERIA Page 2

The failure or inability of the Algerian rebels to precipitate widespread disorders when the UN took up the Algerian question improves at least the short-term prospects of averting a major explosion in the area. It is questionable, however, whether the expected adoption by the UN of a mild resolution acceptable to France will induce nationalist leaders to agree to an early ceasefire. In France, Premier Mollet is encountering obstacles in his efforts to solidify National Assembly support for his 9 January declaration on Algerian policy.

[Redacted]

ADEN-YEMEN BORDER DEVELOPMENTS Page 3

The British War Office is alarmed over the deteriorating situation in Aden, and the commander of British land forces in the Mediterranean area has asked for the return of an infantry battalion recently withdrawn from Aden. British concern probably is heightened by continuing Soviet efforts to supply arms and other aid to Yemen. Yemen and Saudi Arabia have begun to undermine the authority of Aden Protectorate rulers who maintain connections with Britain.

[Redacted]

INDONESIA Page 4

The fate of the Indonesian cabinet remains uncertain. Military and political leaders in Sumatra remain adamant in their refusal to surrender the authority they seized from the central government last December. President Sukarno meanwhile continues to bid for popular support of his concept of "guided democracy" outside the framework of the political parties.

[Redacted]

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

POLAND'S 1957 ECONOMIC PLAN Page 5

The sharp reduction in the rate of economic growth scheduled in Poland's draft economic plan for 1957 reflects Gomulka's reappraisal of Poland's economic prospects. The new plan, implying a reduction in the rate of growth of producer goods output and an increase in consumer goods, is more realistic than previous plans. Despite these readjustments, Poland's economic problem is too great to be overcome without outside aid beyond what it has been securing from the USSR. Gomulka is pressing for economic assistance from Western countries. [redacted]

25X1

REPATRIATION OF POLES FROM THE SOVIET UNION Page 6

The repatriation of Poles from the Soviet Union, formally agreed to by the USSR and Poland on 18 November, is presenting some serious domestic resettlement problems and has added new difficulties to Polish-Soviet relations. The program will probably heighten rather than lessen anti-Soviet sentiments in Poland as Poles return with tales of mistreatment in the USSR. [redacted]

25X1

HUNGARIAN REGIME STEPS UP DOMESTIC POLITICAL PROGRAM . . Page 7

The Hungarian regime, seeking to eliminate all vestiges of the revolutionary period, last week stepped up its political program to restore Communist supremacy over every aspect of Hungarian life. [redacted]

25X1

EAST GERMANY EXPANDING ARMED WORKERS' GROUPS Page 8

The East German regime, apprehensive over the possibility of a popular uprising, is expanding the Kampfgruppen (armed workers' militia) as an internal security force and is stepping up their training activities. [redacted]

25X1

PATHET LAO PUSHES TOWARD FINAL AGREEMENT WITH LAOS GOVERNMENT Page 9

The Pathet Lao has apparently launched a final drive to participate in a coalition government for Laos under the terms of Pathet Lao chief Souphannouvong's 28 December agreement with Prime Minister Souvanna Phouma. Souphannouvong has returned to Vientiane and will probably offer some compromise formula to overcome the cabinet's objections to the agreement. [redacted]

25X1

SECRET

iii

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

CHOU ENDS ASIAN TOUR Page 9

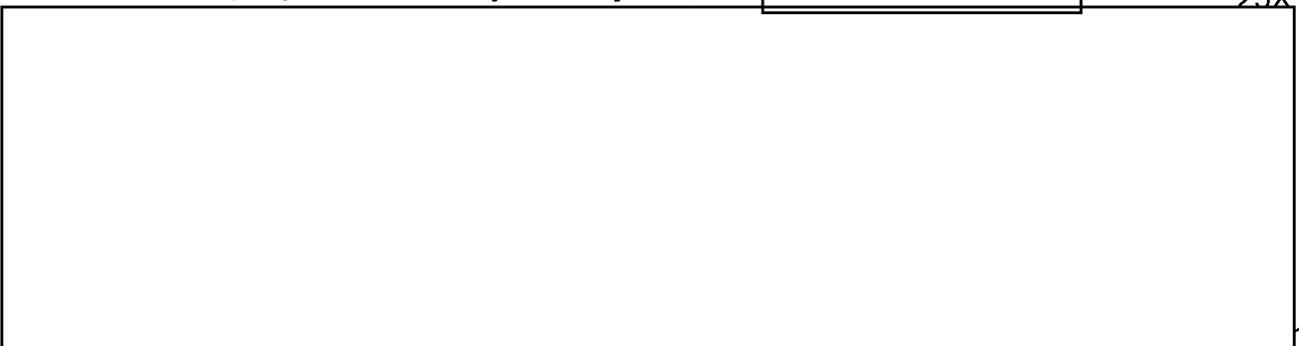
Chou En-lai's visit to Ceylon ends his tour of eight Asian nations which began last November. Issuance of a Sino-Ceylonese communique on 4 February left India the only country on Chou's itinerary where no joint statement was issued. [redacted]

25X1

DEMOBILIZATION DIFFICULTIES IN COMMUNIST CHINA Page 10

Peiping apparently is encountering considerable difficulty in absorbing large numbers of veterans in civilian occupations. The major problem stems from the fact that most demobilized soldiers have been unwilling to work on farms and only a small percentage of the discharges can be given industrial jobs in urban areas, where unemployment already is a problem. [redacted]

25X1



BRITAIN PLANS INITIATIVE ON EUROPEAN INTEGRATION Page 12

Britain plans to use the occasion of the Western European Union foreign ministers' meeting on 26 February to set forth plans for a new, comprehensive European body. British officials seem eager to demonstrate their interest in closer ties with the Continent, and the new plan may provide for full British membership in such a body. [redacted]

25X1

FINANCIAL PROBLEMS IN ECUADOR Page 12

Financial difficulties in Ecuador have reached the point where the stability of the present regime may depend on a foreign loan. The Conservative government of President Ponce met only its most pressing obligations through 1956, and its cash resources appear to be exhausted. Austerity measures designed to balance the budget are unlikely to provide adequate funds during the next few months. [redacted]

25X1

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

CONFERENCE OF SCANDINAVIAN COMMUNIST PARTIES Page 13

The Communist parties of Denmark, Norway, Sweden, and Finland are reported planning [redacted] a common line and to counteract the repercussions of the Hungarian revolt. The Soviet intervention in Hungary had a particularly unfavorable impact on the Communists in Denmark and Norway, where they face parliamentary elections this year. [redacted]

25X1

25X1

25X1

PART III

PATTERNS AND PERSPECTIVES

25X6



DEVELOPMENT OF THE SOVIET ECONOMY IN 1956 Page 3

The official report on the Soviet economic plan results for 1956 shows that while over-all growth of the economy last year came up to the annual average required if 1960 goals are to be obtained, progress was uneven and problems appeared in key interdependent industries which have almost invariably met plan goals in the past. The year was the best for agriculture in the history of the Soviet Union. [redacted] (See Part I, p.1, for an analysis of prospects for 1957.)

25X1

POLISH-SOVIET IDEOLOGICAL CONTROVERSIES Page 6

Poland is unique in the Communist bloc in that popular pressures exert considerable influence in the shaping of state policies. Gomulka's strongly nationalistic program, which resulted from these pressures, has brought the Polish leadership into ideological conflict with the USSR. [redacted]

25X1

SECRET

v

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

INDIA'S FIRST NUCLEAR REACTOR Page 9

India's plan to become the leading Asian nation in the field of atomic energy took a major step forward on 20 January when Prime Minister Nehru dedicated the first atomic reactor to be placed in operation in free Asia. India hopes to make its Atomic Energy Establishment a regional training and research center which will overshadow the American-sponsored center at Manila.

[Redacted]

THE VIET MINH ARMED FORCES Page 10

One of the strongest supports of the Viet Minh regime is its 275,000-man army. Since the end of hostilities, the army has been transformed from what was largely a guerrilla force into a modern military establishment, supported by large shipments of military materiel from Communist China. [Redacted]

[Redacted]

25X1

~~SECRET~~

vi

~~CONFIDENTIAL~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

PART I

OF IMMEDIATE INTEREST

USSR SLOWS RATE OF ECONOMIC GROWTH

At the opening session of the Supreme Soviet on 5 February, M. G. Pervukhin, the new chief of planning, outlined a "new look" in planning involving reconsideration of plan goals for 1957 and "corrections" for 1960 targets. Planned growth of industrial production in 1957 has been cut back from the 10.8 percent achieved in 1956 to 7.1 percent, the lowest in any peacetime year since 1928. Finance Minister A. G. Zverev reported that budget allocations to industry and agriculture would be slightly higher than last year and that the defense budget would be reduced about 5 percent.

State capital investments are to increase only 6 percent in 1957 compared with 17 percent the previous year. On the basis of the incomplete data available, the prospects for success in achieving Five-Year Plan goals are by far the worst that have faced the Soviet Union since World War II. (For analysis of 1956 achievements, see Part III, p. 3.)

Industry

Growth rates in heavy and light industry were cut back about equally as Pervukhin and his new committee moved to rephase the investment program and concentrate on speeding up the construction of new productive capacity in the basic materials industries, where construction has lagged badly. While this lag is made up, however, production of coal, electric power, iron, steel, and cement in 1957 will fall even

further behind the rates of growth needed to reach 1960 targets.

The machine building industries apparently will concentrate on producing the capital equipment needed by the basic materials industries, and state investment expenditures on machinery and equipment will increase from 55 to 65 billion rubles. Production of agricultural machinery and new railroad equipment, however, still retains a high priority.

Rephasing the 1957 production and investment programs means that production increases for iron, steel, coal, cement, and electric power in 1958-60 will have to be at least double the rates achieved in 1956 and 1957 if the industrial production goals for 1960 are to be met. This means that Pervukhin must speed up considerably construction for these industries in the next 12 to 18 months. If these basic industries fall short, the whole plan will fail.

Military Allocations

The announced military allocation of 96.7 billion rubles for 1957 is slightly below the 98.7 billion rubles actually expended in 1956 and 6 percent below the 102.5 billion originally allocated for that year. This allocation is not inconsistent with the announced Soviet intention to begin demobilizing 1,200,000 men in 1956. If this demobilization has in fact been completed as claimed, the 1957 allocation could allow an

~~CONFIDENTIAL~~
~~SECRET~~

SECRET

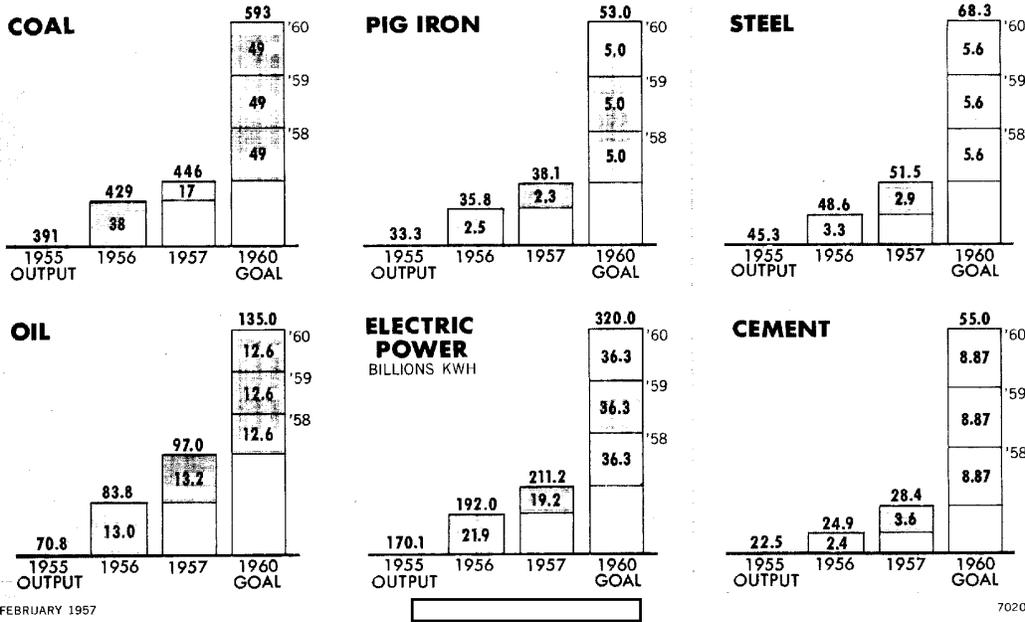
CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

**USSR 1957 PLAN REVISIONS
GOALS FOR KEY COMMODITIES**

MILLION METRIC TONS EXCEPT WHERE NOTED

- 1956 PRODUCTION INCREASE ACHIEVED
- 1957 PLANNED INCREASE (PERVUKHIN COMMITTEE REVISION)
- ANNUAL INCREASE REQUIRED IN 1958-'60 TO MEET 1960 GOAL (SABUROV 6th PLAN GOALS)



7 FEBRUARY 1957

70207-2

25X1

increase in military procurement of approximately 10 percent. On the other hand, if military demobilization was limited to 400,000, the apparent number of servicemen who joined the labor force in 1956, 1957 procurement may be held at about 1956 levels.

Consumer Welfare

The budget provides for a 25-percent reduction in the compulsory state loan, an increase of one third in social insurance and social security payments to the population, and an increase in the tax-free minimum wage. These measures are intended primarily for the

benefit of the lowest income groups and will add about 32 billion rubles to disposable incomes.

State retail trade turnover is planned to increase 11 percent or 57 billion rubles. If this is achieved and collective farm market trade also increases, the purchasing power created by increased worker incomes probably can be absorbed. Peasant incomes will do well in 1957 to stay at the level reached in 1956.

Achieving the planned increase in retail trade, however, may require a greater supply of goods than is likely

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

to be available. The planned output of industrial consumer goods is relatively low and chances of exceeding the bumper grain crop of 1956 are poor. The difference could be made up by withdrawals from inventory or the excess purchasing power could be absorbed by retail price increases. Withdrawals from inventories took place in 1953 and 1954 and resort to retail price increases would reverse the downward price trend prevailing since 1947.

the Soviet press at the end of 1956, he will be disappointed. The normal slow improvement of his living conditions will probably continue, however, and adherence to the 1960 housing goals promises him a substantial improvement where he needs it most.

Foreign Trade

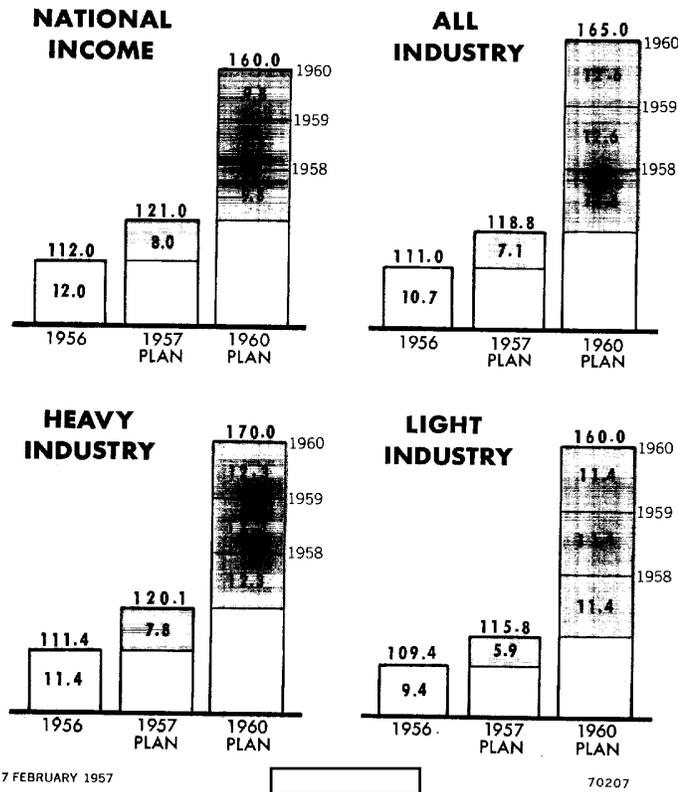
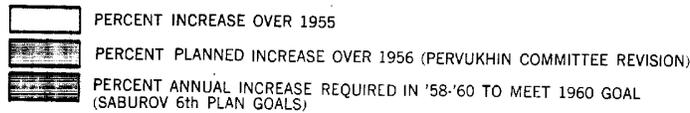
Trade with the other countries of the Sino-Soviet bloc

The 1957 agricultural plan calls for a production increase of 9.5 percent, concentrated in meat, dairy products, and industrial crops. Achievement of this increase depends on a recurrence of the extremely favorable weather conditions of 1956. Thus retail trade prospects could be considerably worse than planned.

Although planned investment in housing is increased from 25 to 30 billion rubles and state loans to citizens building their own houses are scheduled to increase six times, no change in the original housing goals for 1960 is apparent. If the Soviet consumer was expecting dramatic concessions as a result of the talk of possible increases in housing and consumer goods which appeared in

USSR 1957 PLAN REVISIONS

SUMMARY INDICES 1955=100



SECRET

25X1

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

will increase 2.5 billion rubles to 22 billion, three quarters of all Soviet foreign trade. Most of this increase comes from greater shipments of Soviet industrial raw materials to the European Satellites and some rise in imports of industrial equipment and machinery from East Germany and Czechoslovakia. The Satellites are also encountering severe problems, arising in particular from shortages of coal and iron ore; the coal shortage in the European areas of the bloc creates a special urgency to expansion of coal production in the USSR.

Prospects

The Soviet leaders are facing the dilemma of maintaining Stalinist forced-draft rates of growth in an economic system that lacks many of the coercive controls employed by Stalin. These controls have yet to be replaced with an effective system of incentives for the labor force. There is substantial evidence that even the economic bureaucracy created by Stalin is offering considerable passive opposition to the continued high tempo demanded by his successors.

In addition, forced development of the economy over the last 30 years has reduced the

"fat" which was formerly available to cover up the mistakes and unreasonable demands of the top planners. Many of the most readily exploitable natural resources are being depleted. The low war and postwar birth rates increasingly limit the growth of the industrial labor force, and large numbers of workers can no longer easily be transferred from agriculture to industry. Also, political and economic repercussions of changed relationships with the Satellites have recently aggravated Soviet internal economic difficulties.

The Soviet leaders apparently have accepted at least a temporary delay in the long-term race to "catch up with and surpass" the West; if recent trends in the basic industries are not reversed by Pervukhin's new committee, the delay may be more than temporary. Another Supreme Soviet meeting is scheduled for sometime before midyear to consider Pervukhin's revised version of the Sixth Five-Year Plan. At that time the Soviet leaders may have to admit to having lowered 1960 goals for key heavy industries and total industrial growth.

25X1

MIDDLE EAST DEVELOPMENTS

UN secretary general Hammarskjold is exploring the possibility of getting Israeli compliance with the 2 February UN resolution calling for Israeli troop withdrawal "without further delay," before going to Cairo to discuss the problem of Suez settlement negotiations.

Hammarskjold agrees privately that the intent of the second resolution of the same date is that the UN Emergency Force should be stationed in Sharm al-Shaikh, subject to Egypt's consent. Egypt and other Arab states do not necessarily agree with this interpretation, set

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

forth orally by the sponsors of the resolution, including the United States. In addition, Hammarskjold has asked that Israel, as a matter of principle, agree to accept stationing of UN troops on both sides of the demarcation line and to recognize that complete Israeli withdrawal includes the withdrawal of the civil administration in Gaza.

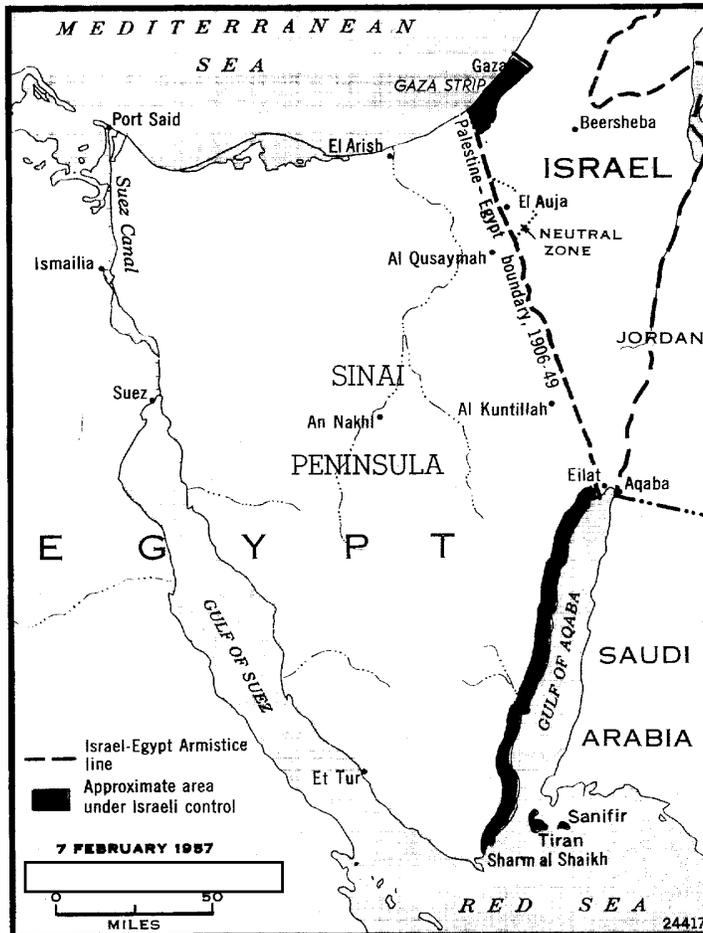
On 4 February, Egyptian foreign minister Fawzi called for the "earliest possible" meeting of the General Assembly to consider Israeli compliance with the latest withdrawal resolution. Hammarskjold felt this development was "ominous and threatening," presumably because such a meeting at this time would jeopardize any chance of reaching even a conditional arrangement with Israel, and Egypt and might lead to a UN call for sanctions against Israel.

Suez Canal

Interest in the canal has been sharpened by the fact that clearance work is ahead of the conservative schedule given out by UN authorities. With the exception of two obstacles, the canal has been cleared from Port Said nearly to its southern entrance. Vessels with less than 25 feet draft--about 10,000 tons or less--could move through the canal now, although not on

a regular basis. General Wheeler's report on 6 February gave mid-May as the goal for unlimited passage, but the UN estimates have been deliberately conservative and the canal may be completely open early in March. Reported threats by Nasr that the canal clearance work would be halted or slowed have not materialized.

The Egyptian position remains essentially unmodified--Egypt will collect the tolls and be the sovereign canal authority--although there have been some reports that Nasr might compromise on details.



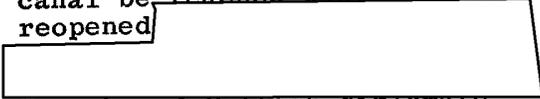
SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

Both France and Britain are anxious that at least a temporary agreement on the canal be reached before it is reopened



French and British diplomats are canvassing for support of a proposal that canal tolls be collected by the International Bank for Reconstruction and Development. Under this scheme, part of the proceeds would be paid by the bank to Egypt, part retained by the bank for repayment of the loan it has made for clearance operations, and the remainder held by the bank for future canal development needs.

The British have been pushing to get the Western-sponsored Suez Canal Users' Association into operating shape. Beyond this, however, London appears to be resigned, although not content, to allow the principal burden of negotiation with Egypt to fall on the UN and the United States. The French are continuing to associate their position closely with that of the Israelis, possibly in the belief that Tel Aviv may again become a useful instrument should the canal issue produce a new crisis in the strained relations between the West and Egypt.

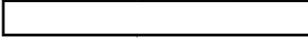
Syrian Border Tension

New trouble may be brewing on Israel's border with Syria.

The Syrian military has become jittery since a recent rash of minor incidents in this area and heavier-than-normal troop concentrations have also been observed on the Syrian side of the border.

Syria's fears at this time derive in part from specific Israeli actions--the gradual occupation of the demilitarized zone by the Israeli army since last November, road-building activity near the border, and the ousting from the zone of bedouin Arab tribesmen, who sought refuge in Syria.

The Syrians are also mindful of the possibility that Israel will resume work on the Banat Yacov Canal for diverting Jordan River water into an Israeli power and irrigation project. This project, long in dispute between the two countries, has led Syria in the past to threaten to halt Israeli work by force if necessary, and the Syrians tend to regard any unusual Israeli activity in this area as preparation either for an attack on them or for the resumption of work on the canal. The Israelis in the last few months have given little publicity to the project, but in Tel Aviv's present mood it seems entirely possible that Israel might simply proceed with the work without giving advance notice.



25X1

* * *

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

PART II

NOTES AND COMMENTS

RENEWED TERRORISM ON CYPRUS LIKELY TO COINCIDE WITH UN DEBATE

Widespread violence on Cyprus is likely to coincide with the opening of the UN debate on the issue, probably early next week. In addition, there may be new anti-Greek outbreaks in Turkey which would result in a strong Greek reaction.

The Greek-Cypriot underground EOKA has recently stepped up hit-and-run attacks against the British on Cyprus and Turkish-Cypriot policemen have also been killed. [redacted]

[redacted] Although political strikes are now forbidden on Cyprus, Greek-Cypriot labor organizations recently staged a strike protesting attacks by Turkish Cypriots and may strike again in support of the Greek UN appeal.

Gangs of Turkish-Cypriot youths have recently raided the Greek quarters of Nicosia and Famagusta and destroyed Greek-Cypriot property. Some Greek Cypriots were injured and a Greek Orthodox church in Nicosia's Turkish sector was damaged. Members of the secret Turkish-Cypriot society VOLKAN reportedly distributed leaflets on 31 January threatening retaliation against the Greek majority for attacks on the British and hinting at full-scale war.

On instructions from Greek prime minister Karamanlis, the acting foreign minister told American ambassador Allen on 1 February that Athens is "greatly worried" over indications that new anti-Greek disturbances may break out in Istanbul. Athens is anxious, according to the minister, that Ankara "know in advance such disturbances are expected so that the Turkish government cannot say that the police in Istanbul were taken by surprise."

The Greeks voiced a similar warning immediately before the anti-Greek riots in Turkey in September 1955. Ankara has since then repeatedly asserted its determination to prevent a recurrence. The Istanbul court's recent acquittal of those implicated in the 1955 riots might be interpreted, however, as promising immunity to any Turks contemplating new anti-Greek actions. The Turkish prosecutor had asked for acquittal on the ground that Cyprus "is a Turkish island forming part of the motherland" and the riots were the result of Greek "provocations."

Prime Minister Karamanlis is under strong pressure from his ministers and the Greek Church to stage a demonstration in Athens "to manifest Greek solidarity with the Cypriots." Such an event would almost certainly touch off counter-demonstrations in Turkey with unpredictable results. [redacted]

25X1

25X1

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

ALGERIA

The failure or inability of the Algerian rebels to precipitate widespread disorders when the UN took up the Algerian question improves at least the short-term prospects of averting a major explosion in Algeria. It is questionable, however, whether the expected adoption by the UN of a mild resolution acceptable to France will induce rebel leaders to agree to an early cease-fire. In France, Premier Mollet is encountering obstacles in his efforts to solidify National Assembly support for his 9 January declaration on Algerian policy.

Notwithstanding several scattered terrorist attacks and one ambush of a French military unit by a 100-member rebel band in western Algeria, the last two weeks were unusually quiet, especially in the Algiers area. The Moslem general strike, begun on 28 January at the instance of the National Liberation Front (FLN), overlapped the start of the UN debate on 4 February, but its observance had already declined sharply and it failed completely to develop any insurrectionist features.

The delayed start of the UN discussion may have contributed to this result, but the major credit is generally given to the rigorous security precautions taken by the French, who placed all important urban centers under heavy guard and employed their troops in an increasingly successful effort to neutralize Moslem fear of FLN reprisals. In rural areas, terrorism increased slightly but no major military offensive by the rebels materialized.

An outbreak of violence is still possible, however,

as tempers on both sides have been strained by the strike and the FLN may feel impelled to resort to desperate measures in an effort to restore its prestige in urban areas. Chances of such a reaction occurring will be increased to the extent that French officials and employers enforce sanctions against Moslems who participated in the strike.

Meanwhile, the local administration continues to be concerned about the danger from right-wing settler elements, who have reportedly stepped up their activities. Several members of a counterterrorist cell were recently arrested and charged with the 15 January bazooka attack on French military headquarters--an incident originally blamed on the FLN.

Even if the present relative calm continues and serious mob violence is averted, France's minister residing in Algeria, Robert Lacoste, does not share the optimism expressed last week by other French officials regarding an early cease-fire. He recently told the American consul general in Algiers that he believes the nationalist leadership remains implacable and will not be influenced by the UN vote and that he thus has no alternative but to proceed with the pacification program. In this connection, he indicated that a major French preoccupation now is with "substantial"--and apparently increasing--clandestine assistance to the FLN from Morocco and Tunisia.

The hopes of the Mollet government for early cease-fire talks may be endangered by apparently growing opposition within the National Assembly to the premier's 9 January declaration on Algerian policy. The

~~SECRET~~

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

replies of political leaders to Mollet's letter of 24 January requesting confirmation of their personal and party support for his policy have disclosed a small area of agree-

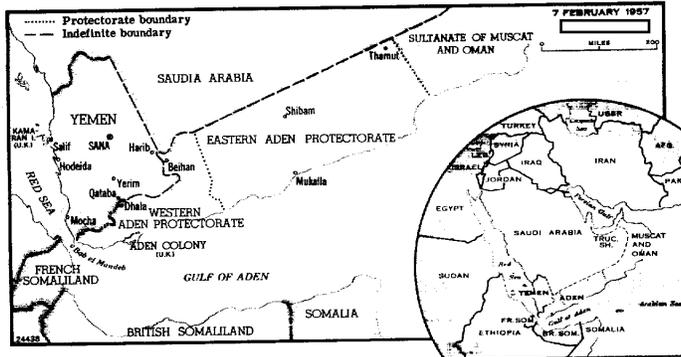
ment--on the "indissoluble" ties with Algeria--and wide differences--particularly over the proposal for free elections three months after the cease-fire.

25X1

ADEN-YEMEN BORDER DEVELOPMENTS

The British War Office has become alarmed over the deteriorating situation in Aden. A battalion of the Durham Light Infantry, one of the two British infantry battalions stationed in Aden since hostilities began in Egypt, has virtually completed its scheduled redeployment to the United Kingdom--leaving only a battalion of the Cameron Highlanders.

Protectorate number about 1,300. At least two companies of the Cameron Highlanders are believed already deployed at critical points on the disputed Yemen-Aden frontier. A minimum of 2,400 British-led native troops are also available in the protectorate, whose frontier with Yemen and Saudi Arabia extends almost 800 miles.



Repeated armed Yemeni incursions into the Aden Protectorate, and continuing Soviet bloc and Egyptian efforts to supply arms and advisers to Yemen have undoubtedly caused the British to reassess their military position in Aden.

25X1

25X6

25X1

Yemen is attempting to undermine the authority of protectorate rulers who maintain

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

connections with Britain. In three areas of the Western Protectorate, movements have been reported among the tribesmen to elect new leaders in place of those having treaty relations with Britain. Additionally, Britain's initial reluctance to use all available power to eject Yemeni intruders from several villages in the pro-

tectorate state of Beihan have led to criticism of Britain by the Emir of Beihan. A long-deferred counterattack, however, launched at the end of January by British forces and RAF aircraft, had by 3 February forced Yemeni forces to withdraw across the frontier from a ten-mile salient into Beihan.

25X1

INDONESIA

The fate of Indonesia's coalition cabinet remains uncertain. Ali has been engaged in discussions on a cabinet reshuffle to fill seven vacancies and has had to follow closely military and political developments in Sumatra as well as the activities of President Sukarno.

Ali reportedly has invited the National Progressive Faction, which includes "national Communists," to participate in the cabinet. If the Christian Party withdraws, as it threatens to do on 15 February, he may also approach the Reconstruction Faction, which is composed of "independents" elected on the Communist Party ticket and is considered to be under Communist direction.

The apparent failure of an army conference in Palembang in late January to find a solution for Sumatran problems appears to have stimulated more aggressive activity in two Sumatran

provinces. A mass rally in Central Sumatra on 5 February demanded the resignation of the cabinet and the return of former vice president Hatta to the government. It was resolved that the provincial council "take more radical action" should Ali refuse to resign.

Military authorities in South Sumatra have banned strikes following reports that the Communist labor federation planned to promote labor unrest, and the Java-born governor of the province has been granted "annual leave." The Nahdlatul Ulama, the large Moslem party which is the key to cabinet survival and which has followed a vacillating course in response to Sumatran events, may again decide to desert Ali, and thus bring down the cabinet.

President Sukarno continues to press for a "guided democracy" through an "advisory council" under his personal

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

direction. He appealed for popular support outside the framework of the regular political parties in recent speeches and has sent veterans--many of whom are extreme leftists--to all areas of Indonesia to whip up enthusiasm for his plans.

Sukarno has also arranged the establishment of a new organization, the "1945 Generation," composed largely of

leftists and extreme nationalists. This organization is designed to enlist mass support for Sukarno's "concept" and is serving as a channel for his unofficial statements. A "Generation" spokesman has announced that Sukarno will reveal details of his plans later this month, but that the exact timing will depend on "factors that might develop in the meantime." 25X1

POLAND'S 1957 ECONOMIC PLAN

Poland's draft economic plan for 1957 envisages a sharp reduction in the rate of economic growth. The projected 4.2-percent increase in planned industrial production contrasts sharply with the actual 11 percent achieved in 1955 and 11.5 percent in 1956. Implicit in the announcement is a reduction in the rate of growth of producer goods output and an increase in consumer goods production. This contrasts with earlier plans which had boosted Polish industrial production tremendously while almost neglecting the people.

as the actual 1956 outlays. Those industries which produce for the market, such as light industry, the foodstuffs industry, and agriculture, are to receive a 13-percent increase in investment outlays. In the field of heavy industry, the plan provides for a "considerable reduction of outlays in the engineering, oil and metallurgical industries." Investments in coal and power will continue to be high.

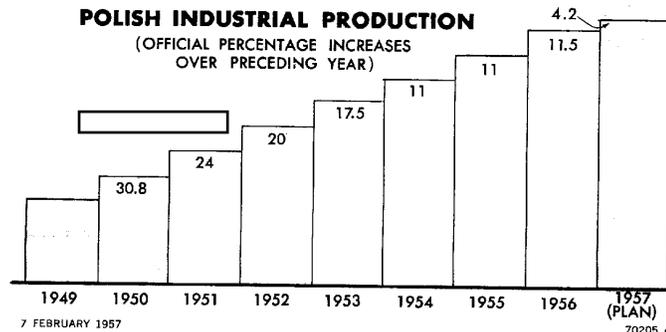
A major problem which Poland faces is the expected de-

The investment program announced earlier also reflects Gomulka's reappraisal of Poland's economic prospects. The investment plan has been reduced by 6 billion zlotys (\$1.5 billion at the official rate of exchange) from the original Five-Year-Plan (1956-60) draft.

The investment plan for 1957 falls behind the 1956 plan, which was 92 percent achieved, but is about the same

POLISH INDUSTRIAL PRODUCTION

(OFFICIAL PERCENTAGE INCREASES OVER PRECEDING YEAR)



cline in the supply of coal--vital to industry and trade--the output of which is expected to fall even below the 1956 production rates. A radical reduction in coal exports would

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

pose an additional problem by further curtailing foreign exchange earnings.

In addition, Poland faces problems in acquiring cotton, grain, fats and oils. Inadequate supplies of these raw materials and cutbacks in the number of government employees are causing unemployment. This situation is further aggravated by the return of substantial numbers of Polish repatriates from the USSR. The regime hopes that over 50,000 persons

will find employment as artisans or in other local industries which recently have been allowed to become private enterprises.

Despite readjustments in the plan and the fact that it is more realistic, some of these problems are too great for Poland to overcome with outside aid beyond what it has been securing from the USSR. Gomulka is pressing for economic assistance from Western countries.

25X1

REPATRIATION OF POLES FROM THE SOVIET UNION

The repatriation of Poles from the Soviet Union, formally agreed to by the USSR and Poland on 18 November, is presenting a serious domestic resettlement problem and has added new difficulties to Polish-Soviet relations. Recent Polish press comment has reflected the bitterness of the Poles over the unfortunate circumstances of their compatriots in the Soviet Union as well as resentment of the Kremlin's obstruction of Warsaw's repatriation teams in the USSR.

The repatriation program will probably heighten rather than lessen anti-Soviet sentiment in Poland as Poles return with tales of mistreatment in the USSR and the growing mass of repatriates keeps alive the fires of irredentism.

Estimates of the number of Poles in the Soviet Union vary from 300,000 upwards, and Poland is determined to repatriate as many of them as possible. Moreover, the Polish press has asserted that Poland also has a "duty" to concern itself with the fate of the Poles who remain in the Soviet Union.

The arrival of nearly 35,000 repatriates in Poland since 1 October 1956 has already created a serious resettlement problem. The regime is trying to resettle as many as possible on farms in the formerly German Western territories, but this is a long-range project that does little to resolve the immediate problem of taking care of the arrivals during the winter months. Poland will have difficulty finding the essential goods and housing to accommodate additional large numbers of arrivals barring receipt of immediate foreign aid.

Recent Polish press comment asserts that the Kremlin is frustrating the efforts of the repatriation commission in Moscow. Members of the commission "cannot move a step outside Moscow," according to the Polish press, which has demanded that they "be allowed to travel to Siberia, Central Asia and to the Far East and to organize repatriation centers and aid Poles in these areas." Demands have also been voiced for the establishment of Polish consulates and information centers in cities--such as

~~SECRET~~

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

Vilnyus and Minsk--with large Polish populations.

The Poles are particularly agitated over the fate of persons who were resettled from the Polish eastern territories that were annexed by the Soviet Union. Many of these Poles were transported to Siberia and other isolated areas, and, according to Zycie Warszawy of 8 January, "thousands of letters, full of despair, come from these people

to the repatriation commission in Moscow."

One of the major problems confronting the Poles is to determine how many of their countrymen are actually in the Soviet Union. Moscow probably does not know and is barring the Polish commission from the remote mines and camps where tens of thousands of expellees, former members of the wartime Polish home army, and others are believed held.

25X1

HUNGARIAN REGIME STEPS UP DOMESTIC POLITICAL PROGRAM

The Hungarian regime, seeking to eliminate all vestiges of the revolutionary period, last week stepped up its political program to restore Communist supremacy over all aspects of Hungarian life.

Operating on a broad front, the Hungarian Workers' Party has issued a call for a "large-scale propaganda and enlightenment offensive in order to win over the masses." The party daily, Nepszabadsag, on 3 February virtually admitted that the regime's efforts heretofore had depended primarily on force. Although the "reinforcement of the armed forces must be continued," the paper stated, "the consolidation of socialism is not primarily a problem of armed force." Claiming a present party membership of 150,000--an increase of 50 percent since late December--Nepszabadsag declared, "We now have the necessary strength... to rescue our workers from the influence of hostile Western propaganda."

The leadership's about-face on Stalinism may be responsible

for any increase in the numerical strength of the party. The present line toward Stalinists--although it assails the crimes of Rakosi, Gero, Farkas, and a few other former top men--is conciliatory and probably indicative of a recruitment campaign among second-level and provincial functionaries who had been faithful Rakosi followers. Three such Communists have recently been named to posts at the ministerial or deputy ministerial level. At the same time, Soltan Vas, who had sought temporary refuge in the Yugoslav legation with Nagy during the fighting, has been ousted from a high-level agricultural position.

In statements condemning the activities of the "temporarily" dissolved Writers' Union, certain workers' councils and allegedly reactionary students, the regime has consistently stressed its determination to reimpose strong Communist controls over all organizations.

The trade unions have been revamped and have been ordered to resume their traditional role

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

as party fronts, probably to the detriment of the individual workers' councils.

Students returning to the reopened universities on 4 February were forewarned by police raids on student dorms and homes and the arrest of those accused of hiding arms. The regime also cautioned the students that any violations of "discipline" might result in the closing of the schools and the loss of a full academic year, and has also reneged on its earlier promise to allow religious instruction in the schools on a voluntary basis.

A stepped-up press campaign against the West, accompanied

by a marked increase in coverage of the Soviet Union, has also revealed the over-all trend toward Satellite orthodoxy. The relative success of the police forces in keeping down signs of active resistance, coupled with partial economic recovery, has apparently enabled the regime to operate in virtual disregard of the undiminished hostility of the population at large. While aware that the popular attitude could still lead to violence, the regime and the USSR have become increasingly confident of their ability to handle any new outbursts. The USSR may already be preparing to reduce the size of its occupation forces in Hungary.

25X1

25X1

EAST GERMANY EXPANDING ARMED WORKERS' GROUPS

The Communist East German regime, apprehensive over the possibility of internal disorders, is expanding the Kampfgruppen (armed workers' militia groups) despite their questionable reliability, and is stepping up their training activities. Politburo candidate Erich Honecker, who recently returned to East Germany after a year in the Soviet Union, is playing a leading role in developing the Kampfgruppen.

Training in street fighting will be intensified, according to Honecker. Maneuvers and tactical training exercises have already been held in several East German cities. In these exercises, which had the objective of "suppressing enemies of the state," police and military forces are believed to have been used largely in supervisory, logistical support and umpiring roles.

Created by the Socialist Unity (Communist) Party following the June 1953 riots and now numbering some 95,000 men and women over 25, Kampfgruppen

are found in all industrial, government and party installations. In rural areas, Kampfgruppen have been organized at collective farms and machine tractor stations. Weapons and equipment, consisting largely of pistols, carbines, sub-machine guns and light machine guns, are stored at central points and are to be issued only for parades, training and emergency purposes.

The Kampfgruppen are directly subordinate to the department for security affairs of the party central committee. Training consists of a minimum of four hours weekly outside of working hours, and is the joint responsibility of the army, civil police, and the various security forces of the Ministry for State Security.

Although most Kampfgruppen members belong to the party, a majority probably are apathetic toward their duties and politically unreliable. Whether they would go into combat against their countrymen is questionable. A remark made by

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

one Kampfgruppen member during the tense days of October 1956 is believed to be typical:
"Things are getting hot now.

It's time for me to play sick. I certainly will never point a gun at a fellow-German."

25X1

PATHET LAO PUSHES TOWARD FINAL AGREEMENT WITH LAOS GOVERNMENT

With the return of Pathet Lao chief Souphannouvong to Vientiane on 4 February, the Pathets apparently launched a final drive to form a coalition government under the terms of their 28 December agreement with Prime Minister Souvanna Phouma. The situation in Vientiane has somewhat altered since Souphannouvong's departure on 31 December, however, because of the opposition to the agreement by Deputy Prime Minister Katay which has led to cabinet demands for additional safeguards against the Pathets.

Souphannouvong's return suggests that the Communists feel he will be able to head off further opposition and gain enough support for a favorable vote on the agreement in the National Assembly.

Despite the stiffening attitude of the cabinet,

Prime Minister Souvanna Phouma still claims agreement will be reached quickly and assembly approval will be forthcoming. The American ambassador comments that the present strength of the opponents of the deal may be only temporary because of the widespread desire for unification and the absence of any clear alternative program.

The key factor to a settlement will be the degree to which the Pathets are willing to meet cabinet demands for the dissolution of the Pathet movement and immediate restoration of effective government control over the two northern provinces. Since participation in a coalition government prior to the supplementary elections is a primary Pathet objective, Souphannouvong will probably offer some formula which will satisfy the form, if not the substance, of the cabinet's demands.

25X1

CHOU ENDS ASIAN TOUR

Chou En-lai has ended his tour of eight Asian nations, which began last November, with a visit to Ceylon. In Colombo he repeated most of the themes he had used earlier in an effort to carry on the Chinese Communist campaign for "friendly" co-operation with the neutral nations which began at Bandung in 1955. Issuance of a Sino-Ceylonese communiqué on 4 February left India the only country on Chou's itinerary where no joint statement was issued. Chou stopped in New Delhi but could not reach agreement with Prime Minister Nehru on even an innocuous statement.

In a major statement in Colombo on 4 February, Chou, the first Communist leader to visit Ceylon, returned to a theme which he had avoided since his trip to Moscow. He declared that Peiping would eschew "big-nation chauvinism," which he said the Chinese have been trying to eliminate from their own policy "resolutely, thoroughly, conclusively and completely" since last year. This line appears designed to reassure Communist China's neighbors regarding Peiping's intentions and to dissociate the Chinese from Russian harshness in Eastern Europe.

The communiqué signed by Chou and Bandaranaike on 5

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

February reflects the Communist view on several key issues and contains an indirect slap at American policies. The statement decried "imperialist" efforts to thwart "freedom and progress," called for another Asian-African conference at the earliest opportune moment, and expressed disapproval of "antagonistic military blocs." The two premiers stressed the need for the prohibition of nuclear weapons and an end to the testing of nuclear weapons.

In a comment on the Middle East situation, the communiqué stated that "substitution of one power for some other" in order to fill a "so-called vacuum" would not help solve

the problems in the area. In this statement, the communiqué resembled the Arab and Communist propaganda line ridiculing the concept of a power vacuum and charging the United States with trying to take over the positions formerly occupied by Britain and France.

Many of these ideas are current among non-Communist Asians and Bandaranaike's agreement to include them in the communiqué probably indicates little more than a desire to avoid argument with an honored guest. The communiqué will, however, tend to identify Peiping more closely with Asian-African aspirations. [REDACTED]

25X1

[REDACTED] 25X1

DEMobilIZATION DIFFICULTIES IN COMMUNIST CHINA

Peiping apparently is encountering considerable difficulty in absorbing large numbers of veterans in civilian occupations.

The major problem facing the regime in its demobilization program arises from the fact that only a small percentage of the dischargees can be given industrial jobs in urban areas, where unemployment already exists. Over 80 percent of the veterans demobilized in 1956 have been assigned to work in drab agricultural pursuits, but, as politburo member Tung Pi-wu acknowledged, "demobilized soldiers have been unwilling to lead the life of a peasant."

Defense Minister Peng Tehuai implied in a speech to veterans in September that they were demanding too much from the party and government without contributing their full share to "peaceful production." He criticized the veterans' attitude toward the government and admonished them not to consider city work superior to work in the villages. This is a theme

frequently voiced by the Chinese press and in instructions to cadres responsible for the integration of servicemen into civilian life.

A recent Defense Ministry directive calls on all military units to perfect "demobilization education" in 1957 in order to facilitate the veteran's transition. It takes special note of steps to be taken to make agricultural work more attractive to the demobilized troops. Suggesting that the regime is concerned lest large numbers of dissatisfied veterans pose problems for the state, the directive urges veterans to abide by the laws of the state, respect the leadership of the party and government, and "unite with the masses."

Peiping's heavy demobilization rate (about 800,000 troops per year in 1955 and 1956 and a like number scheduled for 1957) is consistent with its announced objective of cutting armed force strength and paring defense expenditures.

[REDACTED] 25X1

~~SECRET~~

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

BRITAIN PLANS INITIATIVE ON EUROPEAN INTEGRATION

In calling a meeting of the Western European Union (WEU) foreign ministers for 26 February, Britain is fulfilling its obligation to consult on its plans for reducing forces in Germany, but its main intent is apparently to set forth plans for a new, comprehensive European political body.

In 1954 at the signing of the Brussels treaty, which bound Britain to France, West Germany, Italy and the Benelux countries in the WEU, Britain promised not to reduce the strength of its forces in Germany below four divisions and a tactical air force against the wishes of a WEU majority. London evidently plans to claim that present financial burdens require it to reduce these forces from about 80,000 to 50,000 men. Britain at present seems to be planning to make the move more palatable politically by reducing each of its four divisions in size rather than withdrawing any of them completely, although this decision is still pending.

London evidently also intends to counteract the effect of the reduction by making a dramatic move on European integration, probably by proposing some manner of linking the various European economic, military, and political organizations. Most likely to emerge is a clarification from Foreign Secretary Lloyd of the "grand design" he alluded to at the NATO ministerial meeting in

December. Then he spoke of developing a single NATO-wide assembly along parliamentary lines. The limited response to this trial balloon was favorable.

Now, according to the Foreign Office, the Macmillan government intends to propose dealing with future WEU development--for which several other members have plans--within the "grand design." [redacted]

[redacted] Lloyd envisages forming a single assembly to replace the existing assemblies of the Council of Europe, Coal-Steel Community (CSC), and WEU. The new assembly would then meet in subgroups corresponding to the problem, such as six countries for the CSC. National parliaments would designate the new assembly's members. Should Britain propose full membership for itself in such a body, it would be a radical departure from its past aloofness from European unity plans.

Even if such a detailed proposal fails to emerge, British officials appear eager to demonstrate their interest in closer ties with the Continent and seem genuinely concerned lest neutralist elements in France and Germany increase in the absence of progress toward integration. Since the "grand design" was first offered in a NATO context, presumably the prospect of a North American link would remain open. [redacted]

25X1

25X1

FINANCIAL PROBLEMS IN ECUADOR

The serious financial problems which have confronted President Ponce Enriquez since his inauguration last September have apparently developed into an immediate threat to the

stability of his administration. Ponce and his advisers now seem convinced that only outside financial aid can ensure the government's survival and are seeking an emergency

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

loan of at least \$10,000,000 from the United States.

Assuming office after a disputed election, an abortive military revolt, and other opposition efforts to prevent his inauguration, Ponce survived the immediate situation by a series of astute political moves. But he faced a budgetary deficit of \$20,000,000 to \$25,000,000 in 1956. Promptly publicizing the need for sacrifice and reform, the new administration announced austerity measures to reduce spending and attempted to balance the 1957 budget by increasing taxes and removing various tariff exemptions and other privileges. Nevertheless the congress passed, over presidential protest, a \$100,000,000 budget requiring \$9,000,000 to \$13,000,000 deficit financing.

The economic reforms apparently won a substantial measure of public sympathy but, even if fully implemented, they may not provide adequate resources for such immediate commitments as civil and military payrolls, subsidies to local governments, and maintenance of the public works program at an economically desirable level.

The reforms are also politically dangerous because of the adverse effect on influential groups. The tariff rises have elicited strong reactions among the commercial community concentrated in the coastal region--the center of Ponce's political opposition. The military is believed to be disgruntled by the removal of some of its free import privileges. Arrears in salary payments to public employees have also provoked unrest, including the threatened revolt of a military garrison last October and a more recent strike threat of state railway workers. There is evidence that opposition elements believe the financial crisis has finally given them an issue which they can exploit to oust Ponce, possibly by violence.

The government managed to meet its most pressing obligations through 1956, including a politically expedient year-end bonus to public employees. Its cash resources, however, are reportedly close to exhaustion and its ability to meet urgent obligations without recourse to inflationary borrowing appears questionable.

25X1

CONFERENCE OF SCANDINAVIAN COMMUNIST PARTIES

The Communist parties of Denmark, Norway, Sweden, and Finland are reported planning

common line and try to counteract the repercussions of the Hungarian revolt. Defections from the party on the Hungarian issue have been particularly serious in Denmark and Norway, where the Communists face parliamentary elections this year.

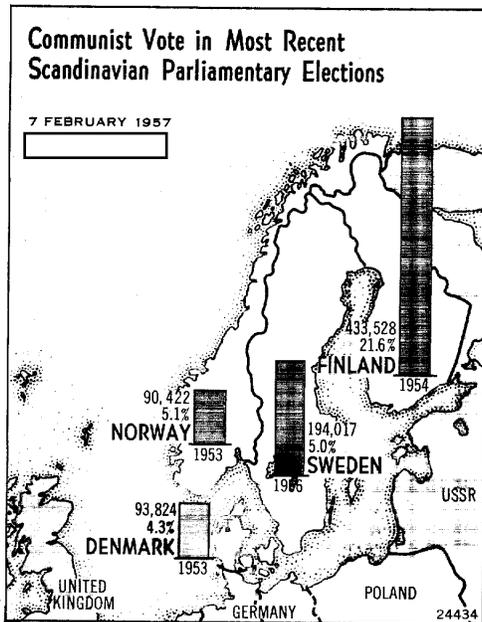
The Danish party is estimated by some informed observers to have lost about one third of its members as a result of the Soviet action in Hungary, defections reportedly being heaviest among intellectuals. At an extraordinary party congress in January, the old-guard leadership managed to retain control of the party, and Soviet intervention in Hungary was approved as "a necessary evil."

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957



Nevertheless indications are that conflicts within the leadership itself have not been resolved. With parliamentary elections likely in April or May, the party--which in 1953 polled 4.3 percent of the vote--now appears certain to lose several of its eight seats in parliament.

The Norwegian party appears to have been similarly shaken by these recent events. Members of the central committee and representatives of the district organizations, meeting in November, unanimously endorsed the party chairman's earlier statement in the Norwegian parliament that he could not defend the Soviet intervention in Hungary. These early indications of confusion have more recently given way

to faithful adherence to Moscow's interpretation of the Hungarian revolt, but the party's loss in popular strength is estimated at about 20 percent. The American embassy in Oslo believes the Communists may lose two of their three seats in the October parliamentary elections.

Although there have been some rumblings in the Swedish and Finnish parties, these two parties appear to have been less affected by events in Hungary, and both have expressed their solidarity with the Soviet Communist Party in forthright terms. The Swedish party, however, was already so small as to have no more than a nuisance role in Swedish political life.

In Finland, where the Communist-front party normally polls about a fifth of the vote, the party has apparently been shielded from the full impact of Hungarian developments by a combination of political and economic circumstances. The party runs under the label of the Finnish Peoples' Democratic League, and is a coalition of Communists and left-wing Socialists. The efforts of the government and the non-Communist parties to discredit it are complicated by Finland's delicate political relations with the Soviet Union. The Communists are also a strong minority in the trade union and co-operative movements, where Finland's growing inflationary difficulties have given them a powerful diversionary issue during recent months.

25X1

* * *

SECRET

Next 1 Page(s) In Document Exempt

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957



25X6

* * *

DEVELOPMENT OF THE SOVIET ECONOMY IN 1956

The official report on the Soviet economic plan results for 1956 shows that while overall growth of the economy last year was consistent with the goals to be attained by 1960, there were lags in a few key

industries. The exceptionally good agricultural year contributed to a 12-percent increase in national income. Total industrial output increased almost 11 percent, heavy industry 11.4 percent, light industry

SECRET

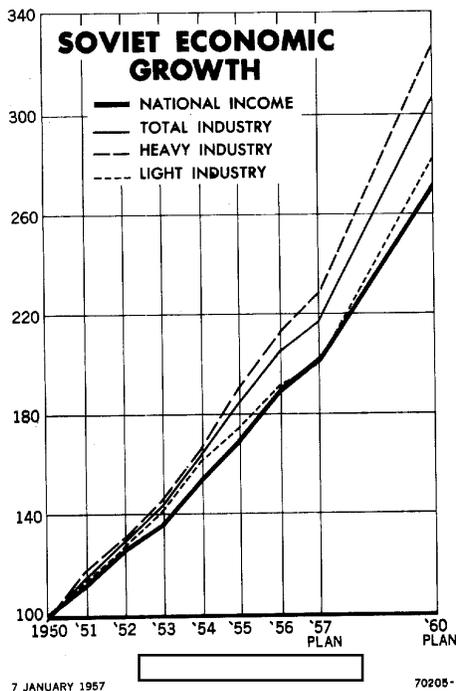
SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

7 February 1957

9.4 percent. Growth of all industry and of producer goods was about 0.5 percent above, and light industry the same amount below, the annual averages required to meet the 1960 goals. The transportation record was generally good.

Producer Goods

Progress in heavy industry was uneven and problems appeared



in certain interdependent, key industries which have almost invariably met the plan in the past. Total coal production was less than 1 percent short. Crude steel, rolled steel, and pig iron were about 2 percent short, owing to a combination of tight ore supplies and failure to complete new blast furnaces and rolling mills. Cement constituted the most serious failure: about 8 percent or 2,000,000 tons below plan.

Petroleum, natural gas and electric power production were on schedule, but energy supplies on the whole continued very tight. Progress ranging from satisfactory to poor was reported in a number of important nonferrous metals, but production of copper and some of the newer light metals apparently was less than required.

Progress in machine building industries continued generally good, but also with some important exceptions. The automation program and production of metallurgical, petroleum drilling and refining, and chemical equipment seem to be lagging.

Capital Investment

The plan for capital investment was fulfilled by 94 percent, with failures in construction for the coal industry, construction materials industry, and housing mainly responsible for the underfulfillment.

A change in coverage of investment statistics makes analysis difficult. The announced 17-percent increase in the volume of investments is considerable and is in accord with Five-Year Plan targets. However, the 1956 target results indicate that the 1956-60 investment program is so scheduled that any miscalculations in specific industrial construction requirements will jeopardize fulfillment of production targets.

The modest housing goal for 1956 was underfulfilled by about 10 percent; only 13 percent of the state housing planned for 1956-60 was built in 1956. The shortage of building materials in the economy will be a serious obstacle to a significant increase in housing construction in 1957.

SECRET

SECRET

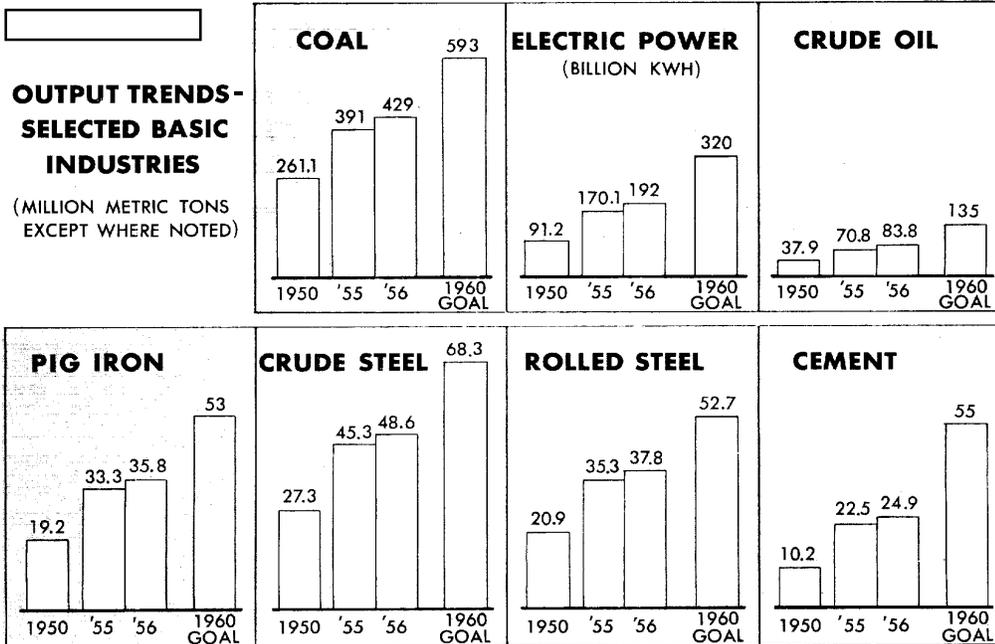
CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

25X1

**OUTPUT TRENDS-
SELECTED BASIC
INDUSTRIES**

(MILLION METRIC TONS
EXCEPT WHERE NOTED)



7 FEBRUARY 1957

70205 6

Productivity

Productivity in the construction industry in 1956 maintained the high rate of increase of 10 percent shown in 1955. At the same time the 7-percent rate of increase in industrial labor productivity was below the 1955 rate of 8 percent and failed to attain the average annual increase of 8.4 required to reach the 1960 goal. Improvement in the rate of increase in industrial productivity may be expected as the reorganization of the wage structure, begun late in 1956, widens to include more of the industrial sector.

Industrial co-operative members such as shoemakers and tailors accounts for part of this increase. The remainder of 400,000 probably are servicemen demobilized in 1956.

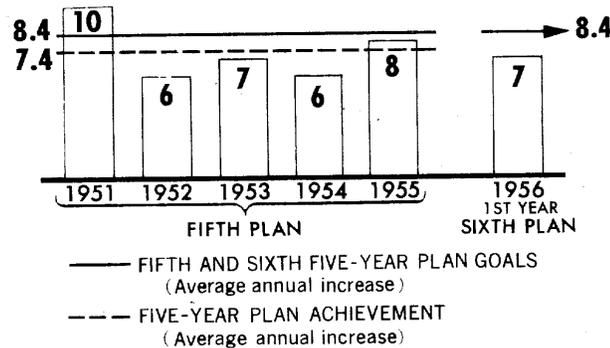
Agriculture

The fulfillment announcement points up 1956 as the best agricultural year of the Soviet

Labor Force

Workers and employees increased by 2,100,000, or 1,000,000 more than 1955. The bookkeeping transfer of 600,000 in-

**INDUSTRIAL LABOR PRODUCTIVITY
(PERCENT ANNUAL INCREASE)**



7 FEBRUARY 1957

70205-6

25X1

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

era. Nevertheless, agriculture remains a major deterrent to future long-run economic growth. Last year's achievements are attributable to the new lands program, changes in crop pattern, higher delivery prices--all "Khrushchevian" policies--and good weather. Primarily because of extensive use of virgin lands--over 74,000,000 acres put under cultivation since 1953--the grain harvest reportedly increased by 20 percent over 1955. Intensification of corn cultivation in established regions stepped up the number of cattle, meat production, and especially milk production. Output of industrial crops, including cotton, continued to rise.

Consumer Welfare

The report claims substantial improvements with the exception of housing, in the material well-being of individuals of all groups in Soviet society. The average Soviet citizen probably noted improvements in 1956 in his material well-being exceeding those noted in 1955. Generally, the urban dweller has been the recipient of "fringe" benefits while increases in income have gone to the rural population. Rural improvement in 1956, as in 1955, probably exceeded that of the urban dweller. 25X1

(Prepared by ORR)

* * *

POLISH-SOVIET IDEOLOGICAL CONTROVERSIES

Poland is unique in the Communist bloc in that popular pressure exerts considerable influence on the shaping of state policies. Polish leaders are being forced to continue measures to do away with the vestiges of the Stalinist heritage of terror and deprivation.

Gomulka's program of "humane socialism" resulted from recognition of the need for reforms more radical than the palliatives adopted by the seventh plenum of the Polish party last July. The program is fundamentally a reaction to the Stalinist system of pervasive bureaucracy and police terror. It is predicated on the belief that popular grievances expressed by the Poznan disorders are legitimate ones which must be recognized by the party if it is to lead the

masses. This, together with the strongly nationalistic overtones of Gomulka's program, have brought the Polish leadership into ideological conflict with the USSR on three basic issues.

Anti-Stalinism

Like Tito, Gomulka is contemptuous of the Soviet bureaucratic system, believing that it has divorced itself from the working masses. He claims that true Marxism-Leninism requires that Communists fight the tendency toward excessive bureaucracy which, by its red tape and its omnipotent elite of party and police, hampers individual liberty, constructive effort and criticism. To Gomulka, this is "Stalinism." His firm rejection of such a system constitutes a fundamental

~~SECRET~~

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

difference between Poland and the USSR.

The USSR resents and rejects the term "Stalinism" as a description of the Soviet system and insists instead on speaking of "the cult of personality"--a harmful, although temporary, aberration in a system the basic features of which are beyond question. Moscow regards the term "Stalinism" as a Western attempt to discredit the Soviet system and weaken the Kremlin leadership of the Soviet bloc. Post-Stalin changes, to Moscow, are nothing more than "adjustments" to do away with "the harmful consequences of the cult of his personality." This is not an academic difference. Gomulka's radical programs for democratization, decentralization and "national Communism" stem primarily from his rejection of what he considers to be a Stalinist system.

The issue was brought into the open late last year in the polemics between the Polish liberal writer Edda Werfel and East German ideologist Hermann Axen. The former asked: "What is the real issue? Is it the maintenance of power or is it socialism, for if it is socialism, then Stalinism must be ended." Axen replied that there is no such thing as Stalinism, and asserted that "worker and peasant power" and socialism are identical. To assert otherwise is anti-Marxist--mere "reformism."

Counterrevolution

The second basic ideological difference came to light as early as the Poznan riots in June, which to the Soviet view constituted a Western-led attempt at counterrevolution. To the Poles, however, they amounted to a genuine popular protest against the Stalinist regime.

These differing views of the significance of post-Stalin changes in Poland have persisted. Poland has not conceded, even under the recent pressures from Chou En-lai, that events in Hungary were the work of counterrevolutionaries inspired by capitalist imperialism; and Poland has been supported in this view, not only by Yugoslavia but by several Western Communist parties, particularly the Italian and American parties.

It is clear from the Kremlin's behavior in mid-October--and from its subsequent reaction to the Hungarian uprising--that Moscow had misunderstood the origins and full significance of the changes in Poland. Apparently believing the situation simply to be an internal party revolt of the Titoist sort, the Russians used the crudest forms of intimidation to maintain the status quo. But when confronted with the alternative of open war, they gave in, and the Soviet leaders themselves succumbed for the first time to popular pressures.

Many Polish Communists, recognizing the strength and character of these pressures, were disturbed by the failure of the party to seize the initiative in the post-Stalin period and to lead the forces pressing for revision. Complaints were voiced that the party was not capable of acting, that "the nation rose like a field of corn after a storm, but the party remained behind." "Armchairs," it was said, "drained the Communism out of the party. Their red blood had turned blue."

The basic dispute has thus been obscured by the fact that the Polish party has felt it politically necessary to claim that the changes in Poland were brought about under its leadership. Gomulka is

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

taking credit for something which the USSR considers counterrevolution.

Bloc Unity

A third basic argument with the USSR concerns the proper relationship between Communist parties and Poland's refusal to acknowledge the dominant role of the Soviet party. In insisting on sovereignty and equality, the Poles demand that blind adherence to Soviet socialist forms should no longer be considered the test of a Communist's sincerity. Contending that a "lopsided study of Soviet experiences as the only pattern must be overcome," the Polish journal Nowi Drogi argued late last year for a fair hearing for Poland's "creative quest for new ways of building socialism."

The article charged that those who warn against using Yugoslav experiences are in effect defending Stalinism, and it insisted that the "Stalinist scum be purged from internationalism" in order that the idea of internationalism in the workers' movement will "never again become the smoke-screen of servility."

The Polish party supports Togliatti's view of the need for "polycentrism" of the workers' movement, believing that unity of the international workers' movement can come only through recognition that specific national characteristics give rise to valid differences in the approach to socialism. It argues that "many varieties of the socialist system may be formed, just as in the bourgeois system there exists also a whole range from dictatorship to multiparty parliamentarianism." It points out that the "Soviet system is different from the Chinese or the Yugoslav system, and now the Polish system becomes different." Under these circumstances, it says, the principles of coexistence

and equality should govern relations between Communist parties.

Moscow challenges this view as "nothing more than incitement to undermine the unity of the socialist camp." Said the Soviet theoretical journal Kommunist in December: "Under the disguise of a struggle against so-called 'Stalinism,' an offensive of imperialist reaction is being conducted against the most sacred possessions of the working class." These "sacred possessions" were identified by Kommunist in January as the "great experience gained by the Soviet people and its Communist Party on the road of socialist construction."

While claiming that this is the point of view of true Communists, the article excepted "certain comrades" in Yugoslavia "who are trying, under the slogan of the 'creative development of Marxism,' to do away with the historical experience of the Soviet party, an experience tested and confirmed by the whole process of social development in recent decades." The articles were broadcast by Radio Moscow to Poland. On 31 January a Polish youth newspaper rebutted the Kommunist arguments, telling the Soviets that "epithets and instructions" were not necessary in discussions among Communist parties.

Moscow's ideological offensive to reassert the primacy of the "Soviet road" is intended as a warning to liberal elements in Satellite parties that the separate Yugoslav and Polish forms of socialism and their pretensions to ideological parity with the Soviet party cannot be condoned. The Kommunist article is another Soviet move toward the ideological quarantine of Yugoslavia; such moves have long been feared by the Polish leadership as a maneuver to deprive Poland of support and force it back into ideological conformity.

25X1

~~SECRET~~

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

INDIA'S FIRST NUCLEAR REACTOR

India's plan to become the leading Asian nation in the field of atomic energy took a major step forward on 20 January when Prime Minister Nehru dedicated the first atomic reactor to be placed in operation in free Asia. In his dedicatory speech, Nehru departed from his custom of ignoring the role of foreign assistance by publicly thanking the United States, Britain, France, and Canada for their aid. While the USSR has offered to assist India in its atomic development program, no definite agreements are known to have been reached.

Three Reactors Planned

The first Indian reactor, located at Trombay, a suburb of Bombay, is a 1,000-kilowatt swimming-pool type, designed and constructed in India. It is fueled with enriched uranium supplied by Britain. A second reactor, being constructed with Canadian financial and technical assistance under the Colombo plan, is expected to go into operation in mid-1958. Heavy water for this reactor has been purchased from the United States. This reactor will add greatly to India's capabilities for training, research and isotope production.

Plans for the construction of a third reactor to be in operation by mid-1958 and for the construction of a power reactor to be constructed in the next five years have been announced, but no definite information on either is available.

India's program aims primarily at developing atomic energy for power and industrial uses. It is also concerned with radioisotopes for agriculture, biology, medicine and related fields, and the industrial exploitation of India's indigenous atomic energy materials,

principally thorium and beryllium.

Atomic Mineral Resources

India has the world's largest thorium reserves, estimated at about 200,000 tons in monazite sands, and ranks third or fourth in the world in production and reserves of beryllium. Only minor uranium deposits are known to exist, but small amounts of uranium are found with thorium in monazite sands and can be recovered. The Department of Atomic Energy is sponsoring an extensive uranium exploration program.

Plants

As a first step in India's atomic program, a monazite processing plant was set up in Alwaye Kerala State in 1952. At Trombay, where India's atomic energy facilities are being concentrated, a uranium-thorium extraction plant has been built to separate the uranium and thorium concentrates from the Alwaye plant residues. Plans for a plant to reduce the uranium concentrates to metal were recently announced. To date there is no facility in operation in India to produce uranium in suitable form for use in an atomic reactor.

A plant which will produce heavy water for use in the Indian atomic energy program, and possibly for export sale, is expected to be completed by 1960. Indian announcements of estimated annual output vary from 5 to 14 tons a year. Studies on the production of pure beryllium oxide and metal and their use in reactors are being conducted in France for India.

Scientists

The development of the Indian program has been hampered

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

7 February 1957

by the small number of qualified scientists available. The Department of Atomic Energy has a program for the recruitment and training of nuclear scientists and technicians under way in Indian institutions, and students have been sent abroad for advanced training in the United States, Britain, Canada, and France. Through these training programs, India is successfully building a nucleus of well-trained scientists.

India hopes to make its atomic energy establishment at Trombay a regional training and research center which will overshadow the American-sponsored center at Manila. Invitations have been extended to students of neighboring countries to avail themselves of the opportunity to make use of the new facilities. [redacted]

[redacted] (Prepared jointly with OSI)

25X1

25X1

* * *

THE VIET MINH ARMED FORCES

One of the strongest supports of the Viet Minh regime is its 275,000-man army. Since the end of hostilities, the army has been transformed from what was largely a guerrilla force into a modern military establishment, supported by large shipments of military materiel from Communist China.

In addition to the army, there are about 36,000 full-time regional troops, many with previous combat experience. By comparison, South Vietnam has only 138,000 regular troops supplemented by some 54,000 auxiliaries.

Modernization of the Viet Minh armed forces has entailed the integration of many independent regiments into division-level units. There are now 16 infantry, two artillery divisions, and one engineer division as opposed to six infantry and one artillery division in 1954. At present, the division is the army's largest tactical

unit, but corps-level commands will probably be developed eventually. Following Soviet and Chinese Communist practice, the Viet Minh established separate operational and territorial commands in mid-1956, both under the over-all direction of Defense Minister Vo Nguyen Giap, the Communist commander at Dien Bien Phu in 1954.

The expansion of the Viet Minh army has been made possible by large shipments of military materiel and economic aid from Communist China. Immediately after the armistice, the Chinese Communists supplied the Viet Minh with over 300 artillery pieces, numerous mortars, recoilless guns and bazookas, automatic weapons, several hundred trucks and prime movers, and up to 100 armored vehicles.

Since the armistice, Chinese Communist aid has enabled the Viet Minh to accumulate substantial stocks of many types of military equipment, including

~~SECRET~~

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

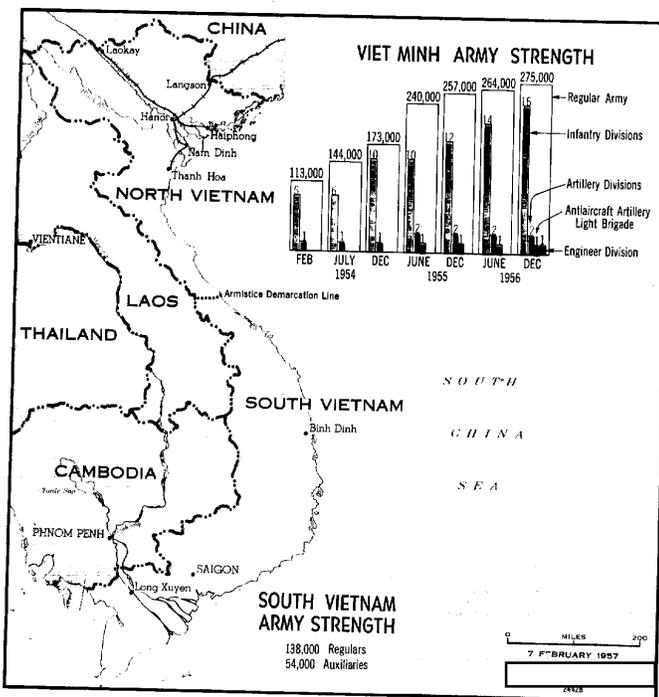
7 February 1957

artillery pieces ranging in size from 70-mm. howitzers to 122-mm. pieces. The Viet Minh also has an unknown number of 155-mm. pieces captured from the French. New 90-mm. rocket launchers and 57-mm. recoilless rifles have been added at battalion and company levels. A joint Chinese Communist-Viet Minh military headquarters has reportedly been established.

The delivery of military and economic aid to the Viet Minh has been facilitated by the restoration of the railroad from the Chinese border at Lang Son to Hanoi. Completion of the rail line from Hanoi south to the 17th parallel, which is now completed to Thanh Hoa, will substantially increase Viet Minh logistic capability.

In addition to the regular and regional forces, the Viet Minh can call on an estimated 75,000 armed local irregulars to reinforce the full-time troops, as well as provide manpower for maintaining internal security. An additional estimated 6,000 paramilitary cadres in South Vietnam constitute a continuing threat to the internal security of the Diem government.

The Viet Minh has no military air arm. The General



25X1

Directorate of Coastal Security maintains a small marine element equipped with patrol craft which could provide the nucleus for a small naval force at some future time.

The Viet Minh forces have several advantages over South Vietnam's in addition to substantially greater numerical strength: wider experience in both guerrilla and conventional operations; dedicated, battle-seasoned leaders; and high esprit de corps resulting from a long record of successful combat. The Viet Minh is still, however, weak in heavy equipment, short of trained technicians and experienced in matters of logistics. [REDACTED]

25X1

* * *

SECRET

